

## Message Text

UNCLASSIFIED

PAGE 01 TAIPEI 05157 041018Z  
ACTION EA-12

INFO OCT-01 ISO-00 ABF-01 CIAE-00 DODE-00 PM-05 H-02  
INR-10 L-03 NSAE-00 NSC-05 PA-02 SP-02 SS-15  
ICA-20 AID-05 COME-00 EB-08 FRB-01 TRSE-00 XMB-04  
OPIC-06 LAB-04 SIL-01 OMB-01 /108 W  
-----092882 050523Z /10

R 041017Z AUG 78  
FM AMEMBASSY TAIPEI  
TO SECSTATE WASHDC 8463

UNCLAS TAIPEI 05157

E.O. 11652: N/A  
TAGS: EFIN, TW  
SUBJECT: YU KUO-HUA'S REPORT TO THE CABINET ON  
REVALUATION

1. IN A REPORT TO THE CABINET ON AUGUST 3, GOVERNOR YU KUO-HUA OF THE CENTRAL BANK OF CHINA (CBC) ADKNOWLEDGED THAT UNDER THE PRESENT "ADJUSTABLE PEG" EXCHANGE RATE SYSTEM, THE NT DOLLAR IS STILL PEGGED TO THE U.S. DOLLAR, AS BEFORE. HE STATED THAT THE CBC IS WORKING TO ESTABLISH A U.S. DOLLAR FORWARD MARKET, WHICH WOULD ENABLE EXPORTERS AND IMPORTERS TO DETERMINE THEIR COSTS AND PROFITS WITHOUT FEAR OF FUTURE EXCHANGE RATE FLUCTUATIONS. HE REITERATED THAT THE EXCHANGE RATE WOULD NOT BE ADJUSTED AGAIN UNTIL THE FORWARD MARKET HAD BEEN ESTABLISHED.

2. GOVERNOR YU ALSO DISCLOSED THAT PRELIMINARY STATISTICS FOR JULY SHOW THAT TOTAL ROC EXPORTS WERE US\$1.06 BILLION, US\$1 BILLION AND US\$922 MILLION, RESPECTIVELY FOR JUNE), WHILE WHOLESALE AND RETAIL PRICE INDICES SHOWED VIRTUALLY NO CHANGE FROM THE PREVIOUS MONTH.

COMMENT: GOVERNOR YU'S REMARKS WERE PROMINENTLY FEATURED IN BOTH ENGLISH AND CHINESE LANGUAGE PAPERS, AND WERE THE UNCLASSIFIED

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SUBJECT OF TELEVISION NEWS REPORTS. THE WIDESPREAD PUBLICITY SEEMS TO INDICATE THAT THE GROC IS TRYING BOTH TO DISPEL THE CONTINUING RUMORS OF AN IMMINENT REVALUATION AND TO EDUCATE TRADERS IN THE WORKINGS AND PURPOSE OF THE PROPOSED U.S. DOLLAR FORWARD MARKET. THE EARLY RELEASE OF TRADE AND PRICE STATISTICS FOR JULY SERVES AS A REBUTTAL TO THOSE MERCHANTS WHO CLAIMED THAT EXPORTS WOULD BE

GREATLY AFFECTED BY THE REVALUATION AND THAT EXPORTERS  
WOULD NEED SPECIAL ASSISTANCE FROM THE GOVERNMENT. UNGER

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** REPORTS, CABINET, REVALUATIONS  
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**Disposition Approved on Date:**  
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**Executive Order:** N/A  
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**Subject:** YU KUO-HUA'S REPORT TO THE CABINET ON REVALUATION  
**TAGS:** EFIN, TW, (YU KUO-HUA)  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
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**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014